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## OIL AND GAS EXPLORATION, PRODUCTION AND PIPELINE TRANSPORTATION PROPERTY TAXES

### AS 43.56

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**Description**

Each year Alaska levies the oil and gas property tax on the value of taxable exploration, production, and pipeline transportation property located within the state. The Division has established procedures for the three distinct classes of property.

*Exploration Property* is valued at the estimated price which the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer, both conversant with the property and with prevailing general price levels.

*Production Property* value is determined on the basis of replacement cost of similar new property, less depreciation based on the economic life of the proven reserves.

*Pipeline Transportation Property* is generally valued based on its economic value relative to the reserves feeding into the pipeline.

**Rate**

The State tax rate is 20 mills, or 2%, of the assessed value.

**Returns**

Taxpayers file annual returns reporting taxable property as of January 1 of the assessment year. Returns are due on or before January 15. Payment is due on or before June 30.

**Exemptions**

Oil and gas reserves, oil or gas leases, and the lease or rights to explore or produce oil or gas are exempt, as are intangible drilling and exploration expenditures. Certain aircraft, motor vehicles, communication facilities, and buildings may be exempt even though they are associated with oil or gas exploration, production, or pipeline transportation. Oil or gas pipeline transportation systems owned and operated by a public utility are exempt.

**Credits**

*Municipal property taxes paid.* Taxpayers receive a credit against state oil and gas property tax for property taxes paid to municipalities on taxable property. The credit is limited to the amount of state tax otherwise due.

*Oil or Gas Property Education Credit.* Taxpayers who make contributions for educational purposes to Alaska universities or colleges may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Disposition of Revenue**

The Division deposits in the General Fund all net revenue derived from oil and gas property taxes except as noted below.

The Division deposits revenues received pursuant to a resolution of a dispute with taxpayers into the CBRF.

**History**

The legislature enacted this tax in 1973 during the first special session of the eighth legislature. The State assists local governments by assessing property subject to the tax, insuring uniform treatment of all taxable property.

**FY 2005 Statistics**

Property Tax Billed	\$260,828,754
CBRF	376,915
Less Municipal Tax Credit	(218,294,036)
Net Tax Due to State	\$42,911,633
Number of Returns	719
Number of Taxpayers	116
Program Costs	\$412,593
Staffing ( <i>full time equivalent</i> )	2.6